

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6393

BILL NUMBER: SB 442

NOTE PREPARED: Jan 3, 2013

BILL AMENDED:

SUBJECT: TRF Retirement Benefit Adjustment.

FIRST AUTHOR: Sen. Skinner

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill provides that the pension portion of the monthly benefit payable to a member of the Indiana State Teachers' Retirement Fund (TRF) who retired before January 1, 1980, and has at least 20 years of creditable service may not be less than \$500.

Effective Date: July 1, 2013.

Explanation of State Expenditures: Under this bill, the state will bear the costs of the increase for the TRF Pre-1996 Fund. This bill does not affect the TRF 1996 Fund, as there are no retirees from the 1996 Fund who are eligible for the benefits in this bill.

For prefunded plans, costs are defined as the increase in the unfunded actuarial liability of the fund. For pay-as-you-go plans such as the TRF Pre-1996 Fund, costs are defined as the increase in benefits payable each year.

Since the Pre-1996 Fund is funded on a pay-as-you-go basis, the annual cost is the increase in the amount of benefits paid each year. The initial increase in benefits paid is expected to be \$1.1 M in the first year. This yearly benefit amount will gradually decrease in future years due to mortality. The ultimate cost of this proposal is the increase in the present value of member benefits of approximately \$4.8 M. The funds affected for the Pre-1996 Fund are the state General Fund and the Pension Stabilization Fund (Table 1).

Table 1. State Increase in Costs from Postretirement Minimum Benefit Increase*				
	Qualified Retirees/ Beneficiaries	Average Monthly Benefit Increase	First-Year Cost	Total Cost (Increase in Present Value)
Pre-1996 TRF	484	\$186	\$1.1 M	\$4.8 M
* This cost analysis uses INPRS retiree data and monthly annuity values, as provided to Legislative Services Agency. This analysis is an estimate. A more precise cost estimate may be determined by utilizing an actuarial analysis.				

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Public Retirement System (INPRS).

Local Agencies Affected:

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